



Department of Business Regulation

233 Richmond Street
Providence, RI 02903

Insurance Bulletin Number 2003-2

Mold Exclusions/Limitations Property & Casualty Insurance

The Rhode Island Insurance Department has received numerous form and rate/loss costs filings relating to mold coverage which propose to exclude, restrict and/or limit existing property & liability coverage. The filings are intended to control the financial impact of mold related claims on consumers, insurance pricing and the marketplace.

The Department has approved the following ISO loss costs and related forms, rules and endorsements filings:

H 2001 RLCFG
DP 2001 RLCFG
DL 2001 RLCFG
CF 2002 RLCMO

Non-ISO affiliated companies, as well as ISO member companies who choose to non-adopt the ISO filings, may seek approval for independent mold related form, rule and rate filings. These filings will be reviewed based upon the following guidelines:

Personal Lines:

1. Except as provided in guideline #3 below, mold limitation endorsements will provide a minimum \$10,000 aggregate all damages sub-limit for Property coverages, without a mold related increased rate modification.
2. Except as provided in guideline #3 below, mold limitations endorsements will provide a minimum \$50,000 aggregate sub-limit for Liability coverages, without a mold related increased rate modification.
3. Any filer that proposes to deviate from the above criteria in 1-2 must demonstrate the necessity of such deviation with sound actuarial data to support such filing.
4. Companies are encouraged to offer insureds higher limit options for mold related claims in conjunction with supported rates /rule filings.

5. Mold limitation endorsements will not apply to the fire or lightning perils. Mold losses following one of these events must be covered with no sub-limit limitation.
6. The filing may not propose to unreasonably restrict the time period for reporting a mold claim. All policies currently include a provision for timely reporting of a loss. A policy may not require a mold claim to be reported within a specified number of days following a covered loss. A policy may not require that a loss due to mold be reported during the policy period in which the original covered loss which gave rise to the mold claim occurs.
7. The insurer must comply with [Insurance Regulation 97](#) where applicable.

All insurers, rating and advisory organizations must withdraw and refile by May 12, 2003 any previously approved forms, rates or rules that do not conform to these guidelines. Any proposed filing relating to mold must be accompanied by a statement sworn to by an appropriate company official stating that the filing meets the requirements contained in this Bulletin and is in compliance with all applicable Rhode Island insurance laws and regulations now in effect.

Commercial Lines:

1. The minimum sub-limit applicable to the limitation endorsements for Commercial Property is \$15,000 aggregate, without a mold related increased rate modification.
2. Any filer that proposes to deviate from the above criteria must demonstrate the necessity of such deviation with sound actuarial data to support such filing.
3. A policy may include, exclude or limit coverage for Commercial Liability coverage arising out of mold.
4. Companies are encouraged to offer insureds higher limit options for mold related claims in conjunction with supported rates /rule filings.
5. Mold limitation endorsements will not apply to the fire or lightning perils. Mold losses following one of these events must continue to be covered with no sub-limit limitation.
6. These guidelines are not applicable to any class of business that is exempt from regulatory review under [R.I. Gen. Laws §27-65-1](#) *eq seq.*
7. The filing may not propose to unreasonably restrict the time period for reporting a mold claim. All policies currently include a provision for timely reporting of a loss. A policy may not require a mold claim to be reported within a specified number of days following a covered loss. A policy may not

require that a loss due to mold be reported during the policy period in which the original covered loss which gave rise to the mold claim occurs.

8. The insurer must comply with [Insurance Regulation 38](#) where applicable.

All insurers, rating and advisory organizations must withdraw and refile by May 12, 2003 any previously approved forms, rates or rules that do not conform to these guidelines. Any proposed filing relating to mold must be accompanied by a statement sworn to by an appropriate company official stating that the filing meets the requirements contained in this Bulletin and is in compliance with all applicable Rhode Island insurance laws and regulations.

In an effort to reduce costs and lower claims associated with mold, insurers should respond promptly to water related claims. Pursuant to [R.I. Gen. Laws §27-9.1-1](#) *et. seq.* and [Insurance Regulation 73](#), insurers must adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies. Insurers should review claims handling practices in an effort to facilitate expediency in handling claims relating to water damage to avoid potential mold related losses. Insurers should also educate insureds on ways to mitigate losses when water damage is reported.

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